

SETTING PRICES – SCHOOL LUNCH & BREAKFAST

Student meals:

Appropriate lunch prices should always be based upon the total average cost per meal per person. There are several ways to determine this figure. One way is to cost lunches daily from the production record and include wages, benefits, and other costs. Use these daily costs per lunch to decide an average cost per person per lunch over a reasonable period of time (at least one month). OR, if you are confident that expenses have been adequately allocated on the financial statement among the programs operated, then another approach is to use all the expense data from the previous school year. All lunch expenses (from Column B) divided by all the lunches served to students and adults will result in an annual average cost per person per lunch for the corporation. This same procedure could be used to get a per meal breakfast cost.

When a cost per lunch per person is determined, the current paid student Federal reimbursement rate and approximate State match money would be subtracted. The answer is the minimum amount to receive from the paying child in order to "break even" on paid student lunches.

Example:	\$ 2.20	Total food service <u>cost</u> per lunch per person
	- .23	Federal reimbursement (07/08)
	- <u>.08</u>	State match (approximate)
	= \$ 1.89	Minimum "break even" price from paying student
	\$ 1.90	Reasonable selling price for this example - always round up!

Looking at this process from another angle, one can use current prices to determine the amount of income available to spend for each meal.

Example:	\$ 1.90	Current student lunch price
	+ .23	Federal lunch reimbursement (07/08)
	<u>+ .08</u>	State match (approximate and only for lunch)
	= 2.21	Income per lunch per paying student

To "break even" in this example, the cost per lunch per person would need to be lower than \$2.21.

IF you have a high percentage of free and reduced participation, AND your cost per lunch is much lower than the reimbursement rate for free lunches (\$2.47 in 07/08), then you may justify a less than "break even" price to the paying students, their meals being partially subsidized by the high free and reduced participation.

Breakfast prices would be figured the same way. Though the counts may be lower, this meal usually has a higher percentage of free and reduced participation which should be taken into consideration.

Adult meals:

Prices must be at least your average cost per lunch (or breakfast) from the previous school year, plus 4% for inflation, plus (for lunch) the per meal value of the USDA donated foods - currently \$.1875 per child per lunch, since there are no commodities distributed based upon adult participation.

SETTING PRICES – OTHER FOOD SERVICE

Other Food Service includes all foods not part of a reimbursable meal and/or sold separately. Prices would be the same no matter who is buying. Examples are extra milk, second servings from the menu that are sold separately, ala carte offerings, banquets, and other special parties. All of this may be loosely referred to as "ala carte" or Other Food as on the Financial Statement.

Many schools try to increase income and participation by offering foods for sale separately which are popular and nutritious, yet may not fit into the school lunch pattern due to cost or content. There is no regulation against the sale of Other Food (except, of course, the USDA-established Foods of Minimal Nutritional Value). The options offered in an ala carte program should complement, but not compete with a nutritionally sound school lunch. For instance, selling extra milk is an enhancement for the sack lunchers and for children who may want more milk than the one provided with the lunch or breakfast.

Even when Other Foods are not priced appropriately, some people assume that this portion of the food service operation is "making money" because of immediate and visible income. Another illusion happens due to inaccurate allocation of expenses (insufficient) to Other Food Service on the Financial Report. The main disadvantage here is that the average cost per meal served may now be inflated due to higher School Lunch expenses (Column B). Because this cost per meal served may be used as a determining basis, student and adult meal prices may also be set higher than necessary.

Other Food Service may be priced as high as necessary - there is no upper limit! With no reimbursement or commodities, it is imperative to set prices high enough to cover all food, labor, and supply costs. Many schools are guilty of prices that are too low for all the true costs.

Because labor and supply costs are difficult to determine without tedious time studies, it is suggested that the raw food cost per serving be the basis. Generally, the cost of labor will be as high as the raw food cost, so doubling the raw food cost will only cover food and labor costs. An even higher price will take care of supply costs, such as napkins, straws, detergent, etc. and maybe help subsidize the regular lunch that should be the "best deal" anyway.

A general rule of thumb for setting prices for Other Food Service would be to multiply the raw food cost by two and a half or three. Depending upon the item and what the market will bear, a price can be established in this range. Some foods are more labor intensive and so should have a higher markup while prepackaged pre-portioned items can be priced with a lower markup.

Example: Hamburger with bun and condiments (catsup, mustard, pickle)

If the raw food cost is:

$$\begin{array}{rcl} \$.364 & \times & 2 = \$.728 \\ .364 & \times & 2.5 = \$.91 \\ .364 & \times & 3 = \$1.092 \end{array}$$

the selling price could be:

$$\begin{array}{rcl} \$.75 \\ .95 \\ 1.10 \end{array}$$

In this example, an appropriate price would be from \$.75 to \$ 1.10 depending upon other factors such as labor and supply costs involved and the highest acceptable cost to the students.